

Thai Life Insurance Public Company Limited

Key Rating Drivers

'Favourable' Company Profile: Fitch Ratings assesses Thai Life Insurance Public Company Limited's (TLI) company profile as 'Favourable' compared with those of all other life insurance companies in Thailand due to its moderate operating scale, substantive business franchise, and 'Moderate/Favourable' corporate governance ranking. Accordingly, Fitch scores TLI's company profile at 'a-' under our credit-factor scoring guidelines.

TLI is the second-largest life insurer in Thailand with a share that was maintained at about 14% by total premium income in 2022. It has comprehensive products for protection, savings, healthcare and investment-linked. Its established distribution channels include more than 24,000 tied agents, bancassurance through multiple local banks, and brokers. Around 70% of total premiums were from agents in 2022, 20% from bancassurance, and 10% from other channels.

Robust Capitalisation: TLI's risk-based capital (RBC) ratio was 420% at end-2022, well above the regulatory requirement of 140%. We estimate TLI's Prism Model score improved to the 'Extremely Strong' category by end-2022, which is above Fitch's expectation for its rating category, from 'Very Strong' in 2021.

Sustained Earnings: The company continues to focus on less interest-rate sensitive businesses with sustainable profit margins. Its return on equity (ROE) was 10% in 2022, in line with its three-year average from 2020-2022. The profitability is supported by sound margins in protection and health-related products, the lower contribution of high-guarantee savings products in its product mix with a gradual shift towards new participating products, as well as an effective product repricing strategy.

Decline in Risky-Asset Ratio: TLI's risky-asset ratio improved to 187% by end-2022, from 212% at end-2021, as a result of a larger equity base from the IPO in July 2022 with additional capital of THB13.3 billion. Risky assets consist mainly of equities and bonds rated below investment grade on the international scale, including its material exposure to sovereign bonds, which are scaled at 15% under Fitch's criteria. However, the metric remains higher than the guideline for the IFS 'A' rating category, an indication of its moderate asset and investment risk.

Adequate Liquidity: TLI has maintained adequate liquidity with liquid assets, including fixed-income securities and bank deposits, accounting for over 80% of the total portfolio at end-2022. Its duration gap also narrowed to below one year by end-2022 from effective asset and liability management, which should help to minimise interest-rate risk.

Ratings

Thai Life Insurance Public Company Limited

Insurer Financial Strength (IFS)	A-
National IFS Rating	AAA(tha)

Outlooks

Insurer Financial Strength	Stable
National IFS Rating	Stable

Financial Data

Thai Life Insurance Public Company Limited

(THBbn)	2022	2021
Gross premiums written	88	90
Total assets	556	534
Return on assets (pretax) (%)	2	2
Return on equity (%)	10	10
Liquid-asset ratio (%)	101	101

Source: Fitch Ratings, Fitch Solutions, TLI

Applicable Criteria

[Insurance Rating Criteria \(July 2022\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

Related Research

[Thai Life Insurance Market \(December 2022\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

IFS and National IFS

- A persistent drop in capitalisation, measured by a decline in the RBC ratio below 280% and deterioration in the Fitch Prism Model score below 'Strong' for an extended period;
- A prolonged weakening in profitability, indicated by ROE that is below 6.5% and a sustained material decline in the value of new business.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

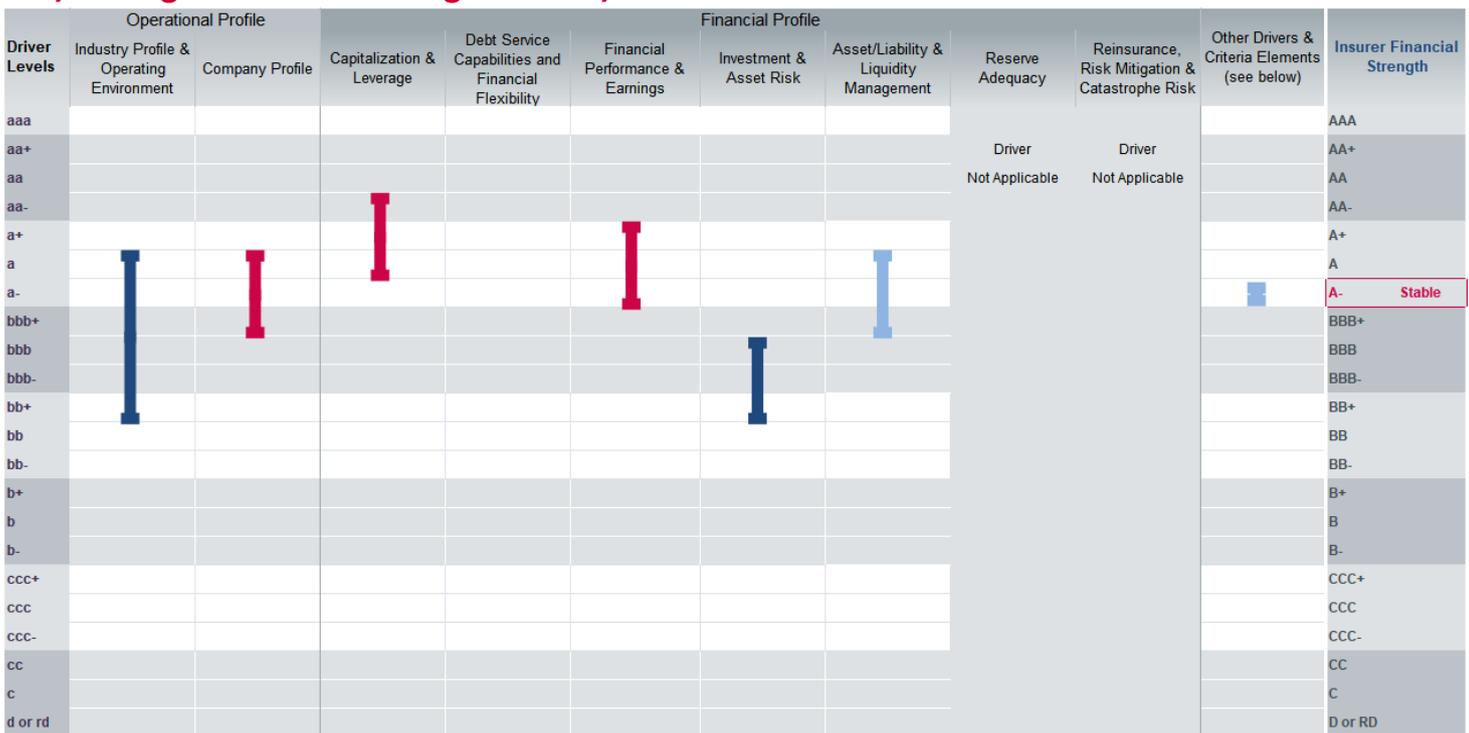
IFS

- A significant improvement in TLI's operating scale and business diversification; for instance, the insurer participates in many business lines, geographies and distribution sources; and
- Maintenance of TLI's robust capital adequacy.

National IFS

- An upgrade for TLI's National IFS is not possible as the 'AAA(tha)' National IFS Rating is already the highest score on the National Rating scale.

Key Rating Drivers – Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				A-
Non-Insurance Attributes	Positive	Neutral	Negative	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	No	A-	+0
Insurer Financial Strength Rating				Final: A-
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				Final: n.a.

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
Red	Higher Influence
Blue	Moderate Influence
Light Blue	Lower Influence
Bar Arrows = Driver Outlook	
↑	Positive
↓	Negative
↕	Evolving
□	Stable

Company Profile

Fitch ranks TLI's business profile as 'Favourable' relative to that of other Thai life insurers to reflect its 'Favourable' competitive positioning and large domestic market share, 'Moderate' business risk profile and 'Favourable' diversification. This ranking results in Fitch scoring the insurer's business profile at 'a-' under the agency's credit-factor scoring guidelines.

The company's 14% share of total premiums written at end-2022 made it the second-largest life insurer in Thailand. Its franchise strength is underpinned by a robust tied-agency force, ranked second by market share. The company has close ties with Japan's Meiji Yasuda Life Insurance Company (IFS A+/Stable) since 2013. We think the cooperation can enhance TLI's competitiveness in terms of attracting and retaining Japanese corporate customers based in Thailand.

Fitch believes TLI's business diversification remains favourable and on a par with its high-profile domestic peers. The company pursues a multi-distribution channel strategy to balance its reliance on the agency channel, such as strengthening its relationships with local commercial banks. The agency channel accounted for about 70% of total premiums in 2022, while the bancassurance channel contributed around 20%.

TLI's overseas operations in Myanmar via a 35% stake in a joint venture with Citizen Business Insurance Public Company Limited is growing but remains small compared with the domestic business. The insurer expects to gain long-run benefits from Myanmar's growth potential relative to a more mature Thai market. TLI also plans to further diversify its business into Cambodia and Laos.

We consider TLI's risk appetite to be on a par with that of its local peers. The insurer has a comprehensive product suite across all market segments. TLI monitors its insurance policies to ensure their sound profitability and will reprice or discontinue any unprofitable product in line with industry practice, which is neutral to its risk profile.

TLI's business profile also benefits from its IPO proceeds, which should provide more flexibility and help the company to sustain its competitive position. TLI plans to use the proceeds for investments in digital transformation and improve its marketing and distribution channels.

Corporate Governance – 'Moderate / Favourable'

Corporate governance and management are effective and neutral to the rating. The insurer has set up an effective risk management and corporate governance framework to meet the regulator's requirements. TLI's board comprises five independent directors out of 12 members. Several sub-committees are also in place, including executive, risk management, investment, audit, as well as nomination and remuneration committees.

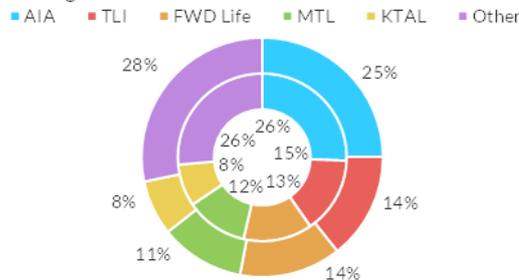
Company Profile Scoring Summary

	Assessment	Sub-score/impact
Business profile assessment	Favourable	a-
Corporate governance assessment	Moderate/Favourable	none
Company profile factor score		a-

Source: Fitch Ratings

Total Premium Market Share

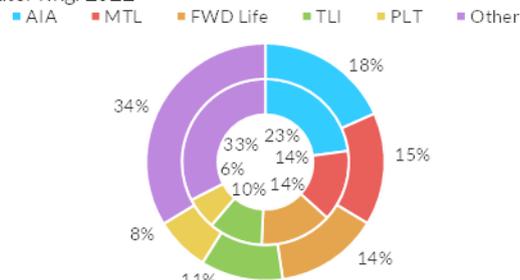
Top-five Thai life insurers
Inner ring: 2021
Outer ring: 2022



Note: AIA: AIA (Thailand) Co.,Ltd.;
TLI: Thai Life Insurance PLC;
FWD Life: FWD Life Insurance PLC;
MTL: Muang Thai Life Assurance PCL;
KTAL: Krungthai-AXA Life Insurance PLC;
Source: Fitch Ratings, Thai Life Assurance Association

New Business Premium Market Share

Top-five Thai life insurers
Inner ring: 2021
Outer ring: 2022

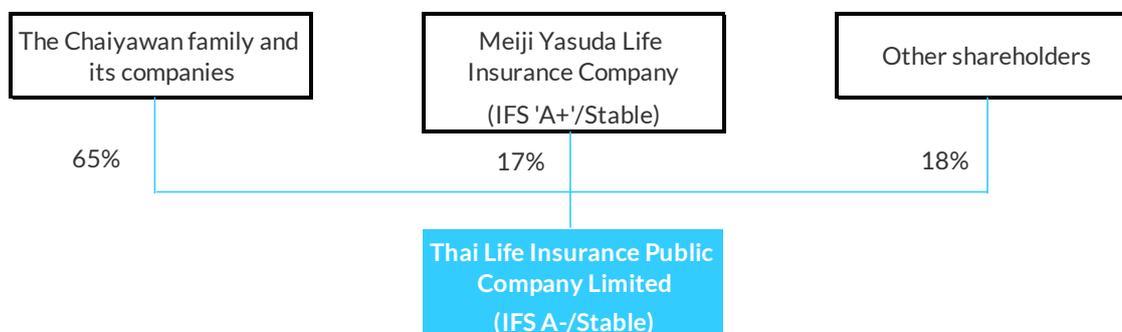


Note: AIA: AIA (Thailand) Co.,Ltd.;
MTL: Muang Thai Life Assurance PCL;
FWD Life: FWD Life Insurance PLC;
TLI: Thai Life Insurance PLC;
PLT: Prudential Life Assurance (Thailand) PLC;
Source: Fitch Ratings, Thai Life Assurance Association

Ownership

Fitch believes TLI's ownership does not affect the insurer's financial strength. TLI was listed on the local stock exchange in 2H22. The Chaiyawan family and related companies continue to be a major shareholder. Meiji Yasuda Life has remained TLI's strategic partner since 2013 and has continued to support the company's technical expertise and business operations. Chaiyawan family members serve as senior directors and executives on the company's board along with a representative from Meiji Yasuda Life.

Structure Diagram



Capitalization and Leverage

Strong Capitalisation

TLI retained its robust capitalisation from the healthy core operations and additional capital of THB13 billion from the IPO proceeds in 2022. The 'Extremely Strong' Fitch Prism Model score was calculated based on TLI's financials at end-2022. Its RBC adequacy ratio improved to 420% by end-2022 from 355% at end-2021, well above the 140% regulatory minimum. Hence, the score is well above that of 'A' rated insurers, according to Fitch's guideline.

Financial Highlights

	2022	2021
Operating leverage (x)	4	5
Asset leverage (x)	4	5
Regulatory RBC (%)	420	355
Total financing commitment ratio (x)	-	-

Source: Fitch Ratings, TLI

Capitalisation Adequacy

PRISMFMBM



Source: Fitch Ratings

Fitch's Expectations

- TLI's non-risk-based capitalisation to be stable with a sound buffer, and its RBC ratio maintained at well above the regulatory requirement.

Financial Highlights

	2022	2021
Prism score	Extremely Strong	Very Strong
Prism total AC (THBbn)	116	108
Prism AC/TC at Prism Score (%)	101	110
Prism AC/TC at higher prism score (%)	-	92

AC - Available Capital, TC - Target capital

Source: Fitch Ratings, TLI

Debt Service Capabilities and Financial Flexibility

Financial Highlights

	2022	2021
Fixed-charge coverage ratio (x)	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, TLI

Fitch's Expectations

- TLI's operations to be supported by internal cash flows.

Financial Performance and Earnings

Sound Profitability

The company maintained a steady margin for the new underwriting business across product suites, with a new business value (NBV) margin, measured by NBV/annualised premium equivalent, of about 57% in 2022. This was supported by effective product optimisation and active monitoring to reprice or withdraw non-performing products. Its ROE also remained stable with a three-year average of 10.2% over 2020-2022, commensurate with Fitch's expectation for an 'A' rated company.

We believe TLI will maintain sound growth in new business premiums via its robust tied-agency force, complementing it with multiple partnerships with commercial banks. TLI is also prioritising new participating products in its portfolio mix after their contribution to annualised premium equivalents jumped to 14% in 2022 from 7.6% in 2021. We think the shift towards lower interest-rate products in the market will help sustain profitability after the adoption of local IFRS 17 accounting standards in 2025.

Financial Highlights

(%)	2022	2021
Return on equity	10	10
Return on assets (pretax)	2	2
Change in gross premiums	-3	-1
Investment yield	3	3

Source: Fitch Ratings, Fitch Solutions, TLI

Fitch's Expectations

- Maintain sound profitability via prudent underwriting policy.

Investment and Asset Risk

Lower Risky-Asset Ratio on Higher Capital

TLI's risky-asset ratio improved to 187% in 2022 (FY21: 212%), supported by the higher equity base from the IPO proceeds since July 2022. However, Fitch assesses TLI's investment and asset risk as high because of the exposure to sovereign-linked assets, which is scaled up by 15% from the Thai sovereign rating at 'BBB+' for Fitch's risky asset calculation, as per our *Insurance Rating Criteria*.

As of end-2022, around 83% of its investment assets were in cash and fixed-income securities, with most of its bonds rated investment grade on international or national scales. Equity and unit trust investments were well-diversified, with their contribution normalising to 11% in 2022 from 14% in 2021. The company was more cautious and rebalanced its equity allocation during the volatility in the market.

We expect its asset management strategy to remain conservative and prudent with reasonable investment guidelines to control investment activity and balance risks and returns. The foreign-exchange risk tied to the company's bond investments is fully hedged to meet regulations and that of its offshore equity portfolio is closely monitored and hedged at a high ratio, according to the insurer's policy.

Financial Highlights

	2022	2021
Risky-asset ratio (%)	187	212
Below-investment-grade bonds to capital (%)	84	86
Sovereign investments to capital ratio (%)	272	287

Source: Fitch Ratings, TLI

Fitch's Expectations

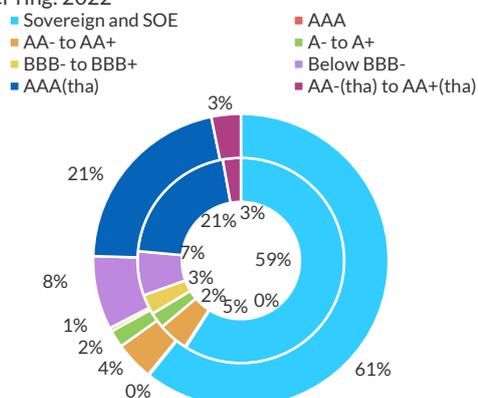
- Maintain its exposure to risky assets at a manageable level with sound investment yields.

Fixed-Income Securities

By credit rating

Inner ring: 2021

Outer ring: 2022



Source: Fitch Ratings, TLI

Asset/Liability and Liquidity Management

Fitch thinks the company will continue to maintain minimal interest-rate risk with a narrow duration gap, which was below 1 year at end-2022, as the liability duration was shortened from the lower average life cycle of endowment products in the portfolio, while the asset duration was lengthened with the higher allocation in long-term bond investments. Hence, the metrics were well above the guideline for IFS 'A' rated insurers.

Financial Highlights

	2022	2021
Liquid-asset ratio (%)	101	101
Duration gap (years)	1	2
Cash and equivalents to policyholder liabilities (%)	2	2

Source: Fitch Ratings, Fitch Solutions, TLI

Fitch's Expectations

- Maintain sound liquidity to support insurance liabilities and narrow duration gap over medium term.

Appendix A: Peer Analysis

Peer Comparison

Click [here](#) for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarizes the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

Not applicable

Notching

For notching purposes, the regulatory environment of Thailand is assessed by Fitch as being 'Effective', and classified as following a ring-fencing approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.
Operating company debt
Not applicable.
Holding company IDR
Not applicable.
Holding company debt
Not applicable.
Hybrids
Not applicable.
IFS – Insurer Financial Strength. IDR – Issuer Default Rating Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

None.

Hybrids Treatment

None.

Recovery Analysis and Recovery Ratings

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Thai Life Insurance Public Company Limited has 6 ESG potential rating drivers

- ➔ Thai Life Insurance Public Company Limited has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- ➔ Thai Life Insurance Public Company Limited has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	6	issues	3		
not a rating driver	2	issues	2		
	6	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment & Asset Risk	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Company Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "low er" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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